Supreme Court, U.S.
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No. 03-409

IN THE

Supreme Court of the United States

KP PERMANENT MAKE-UP, INC.,
Petitioner,

v.

LASTING IMPRESSION I, INC., ET AL.,
Respondents.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

BRIEF FOR THE SOCIETY OF PERMANENT COSMETIC PROFESSIONALS AND THE DISTINGUISHED CITIZENS SOCIETY INTERNATIONAL AS *AMICI CURIAE* SUPPORTING RESPONDENTS

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The Society of Permanent Cosmetic Professionals and the Distinguished Citizens Society International submit this brief as *amici curiae* supporting Respondents.[1]

INTEREST OF THE *AMICI CURIAE*

The Society of Permanent Cosmetic Professionals ("SPCP") is the largest non-profit professional association in the United States and internationally for the permanent cosmetics industry. SPCP is dedicated to promoting safety, excellence, and professional standards for the permanent cosmetic industry by providing education and industry guidelines. Among its other activities, SPCP provides information and educational materials to the public, the media, and legislative bodies.

The Distinguished Citizens Society International ("DCSI") is a non-profit organization of business leaders, scholars, and professionals dedicated to promoting a more harmonized environment for citizens worldwide, and peace and fairness without regard to barriers of race or ethnicity. Founded in 1968 in Taiwan, DCSI now includes regional organizations and city chapters in the United States, Japan, Russia, China, Hong Kong, and Macau.

Each of the *amici* has an interest in this case, and in the proper interpretation of the fair use defense to trademark infringement. SPCP is interested in ensuring that trademark law is applied in a way that promotes safety and excellence in the permanent cosmetic industry.

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[1] Pursuant to this Court's Rule 37.3(a), letters of consent from both parties to the filing of this brief have been filed with the Clerk. Pursuant to this Court's Rule 37.6, the *amici* represent that this brief was not authored in whole or in part by counsel for any party, and that no person or entity other than *amici*, their members, or their counsel made a monetary contribution to the preparation or submission of this brief.

These goals may be jeopardized if the fair use defense is interpreted in a way that either unduly discourages descriptive uses or unduly encourages competitors to act in ways that are likely to cause confusion among consumers. DCSI has an interest in ensuring that U.S. trademark law is interpreted to provide adequate protection to the intellectual property rights of trademark owners worldwide.

STATEMENT OF THE CASE

1. Petitioner K.P. Permanent Make-Up, Inc. ("KP") and Respondent Lasting Impression I Inc. ("Lasting Impression") are competitors in the permanent cosmetics industry. Pet. App. 3a. Permanent cosmetics has both cosmetic and medical applications. *Id.* For example, permanent cosmetics may be used to create permanent eyeliner, enhance eyebrows, or in scar revision. *Id.* Permanent cosmetics involves implanting pigment into the skin. *Id.* The pigments used for permanent cosmetics are sold in small bottles for use by professionals. *Id.* KP and Lasting Impression offer separate lines of pigments for sale to customers. *Id.*

Lasting Impression owns a registered trademark that consists of the term "MICRO COLORS" set in white within a black box. Pet. App. 2a. The mark was registered on the Principal Register of the U.S. Patent and Trademark Office in May 1993 and became incontestable in May 1999. *Id.* at 3a.

KP uses the term "micro color" on its products and brochures. Pet. App. 3a-4a. KP submitted evidence that it has been using this term on its pigment bottles since 1991. *Id.* at 4a. In 1999, KP "adopted a new use of the term 'micro color'" in its marketing brochures. *Id.* Since 1999, KP has displayed the term "microcolor" in a stylized format and in larger size type than nearby words, making the term "the most dominant feature of the image." *Id.* at

4a; *see id. at* 20a. In the district court, Lasting Impression apparently conceded that KP's pre-1999 use of the term did not constitute trademark use, but it made no such concession as to the new use that began in 1999.[2]

Lasting Impression sent KP a cease-and-desist letter demanding that KP discontinue its use of the term "micro color." *Id.* at 2a. In response, KP brought an action seeking a declaratory judgment against Lasting Impression and its distributor. Lasting Impression filed a counterclaim asserting that KP's use of the term "micro color" infringed Lasting Impression's incontestable registration of the MICRO COLORS mark. *Id.* at 4a.

The parties filed cross-motions for summary judgment. KP's motion for summary judgment argued, among other things, that KP is permitted to use the term "micro color" under the fair use doctrine, and that Lasting Impression cannot show likelihood of confusion. Lasting Impression did not seek summary judgment on the likelihood of confusion issue or the fair use defense. It sought summary judgment only on several other issues. *Id.* at 4a-5a.

2. The district court granted KP's motion for summary judgment and denied Lasting Impression's motion for summary judgment. Pet. App. 22a-34a. The district court held that: (1) the words "micro color," considered apart from Lasting Impression's logo, are

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[2] The district court's opinion states that Lasting Impression "conceded [KP] is not using the term as a service mark or trademark," Pet. App. 29a (citing Lasting Impression Summ. J. Mot. at 31-32). A review of Lasting Impression's submission indicates, however, that its concession was limited to KP's pre-1999 use of "microcolor" on bottles and flyers, and did not include the stylized post-1999 use on marketing brochures. *See* Lasting Impression Summ. J. Mot. 17 (distinguishing between pre-1999 use and "more stylized mark" KP adopted in 1999).

generic and therefore cannot constitute a valid mark; (2) even if the words "micro color" are not generic, they are descriptive and have not acquired a secondary meaning, and therefore cannot constitute a valid mark; and (3) KP's use is protected under the fair use defense, 15 U.S.C. § 1115(b)(4). In granting summary judgment to KP, the district court declined to consider whether there was a likelihood of confusion. Pet. App. 30a.

3. The court of appeals reversed the district court's grant of summary judgment for KP and remanded for further proceedings. Pet. App. 1a-19a. Initially, the court of appeals concluded that, because the words "micro color" are the most salient feature of Lasting Impression's logo mark, Lasting Impression's registration of the mark protects the words "micro color" and not just the logo as a whole. *Id. at* 8a-10a. The court of appeals next held that a reasonable juror could not conclude from the evidence that "micro color" is a generic term, and therefore Lasting Impression, rather than KP, is entitled to summary judgment on that issue. *Id.* at 10a-14a. The court of appeals then concluded that Lasting Impression's incontestable registration is conclusive evidence that its mark is non-descriptive or has acquired secondary meaning. *Id.* at 14a-15a. Accordingly, the court of appeals held that KP is not entitled to summary judgment on that ground either. *Id.*

Turning to the fair use defense, the court of appeals distinguished between "classic" fair use and "nominative" fair use. Nominative fair use occurs when the alleged infringer uses the trademark holder's mark to refer to the trademark holder's product, or when use of the trademarked term is the only practical way to refer to something. *Id. at* 16a.

The court of appeals explained that "[w]hen analyzing nominative fair use, it is not necessary to address likelihood of confusion because the nominative fair use

analysis replaces the likelihood of confusion analysis." Pet. App. 16a-17a. In contrast, the "classic" fair use defense comes into play when the alleged infringer has used the trademark holder's mark solely to describe the alleged infringer's product. In these cases, the court of appeals said, "it is still necessary to analyze likelihood of confusion." *Id.* at 17a. Citing circuit precedent, the court of appeals, went even further and stated that a classic fair use defense "requires that there not be a likelihood of confusion." *Id.* at 19a.

The court of appeals concluded that this case involves the classic fair use defense, and therefore the district court erred in refusing to consider likelihood of confusion. The court of appeals explained that it applies an eight-factor test to determine whether there is a likelihood of confusion, and that "[t]he application of these factors involves numerous genuine issues of material fact." Pet. App. 19a. Accordingly, the court of appeals held, KP was not entitled to summary judgment based on its assertion of the fair use defense. The court of appeals remanded the case to the district court for further proceedings in accordance with its opinion.

SUMMARY OF ARGUMENT

The court of appeals reached the correct result in this case, but for the wrong reason. Contrary to the decision of the court of appeals, the fair use defense does not require that there be no likelihood of confusion. Frequently, however, evidence that is relevant to likelihood of confusion is also relevant to the elements of the fair use defense. For example, if the allegedly infringing term is identical or very similar to the plaintiff's mark, if the term is used in connection with the same or very similar goods, and if there is significant evidence of actual confusion, such evidence would not only strongly suggest a likelihood of confusion, but also that the defendant's term is being used as a mark and is not

being used fairly and in good faith. Similarly, if there is evidence that the defendant's intent in using the allegedly infringing term is to trade on the goodwill of the plaintiff's mark, that evidence would suggest a likelihood of confusion, and would also suggest that the defendant was not acting fairly and in good faith.

Although there will be some cases where the defendant so clearly satisfies the elements of the fair use defense that it would be appropriate to grant summary judgment based on the defense, this is not such a case. KP's use of the word "microcolor" has many of the earmarks of trademark use: it is used in stylized form, in large print, and as an adjective. It is thus far from clear that it is being used "otherwise than as a mark," let alone "fairly and in good faith." If on remand Lasting Impression is able to submit evidence of significant actual confusion or a well designed survey showing a high degree of confusion among the relevant universe of consumers, such evidence might well support a conclusion by the trier of fact that KP's use of the term "microcolor" was not "otherwise than as a mark," or was not fair and in good faith.

KP's Petition also seeks to raise a second issue: whether a defendant asserting the fair use defense has the burden of proving that there is no likelihood of confusion. That question has caused no disagreement among the circuits and is not fairly presented by this case. The Ninth Circuit, like every other circuit, requires the plaintiff trademark owner, not the defendant, to carry the burden of proving likelihood of confusion under the Lanham Act. The alleged infringer bears the burden of proving the elements of the fair use defense.

This case arises in an unusual procedural posture, because there has been no trial or preliminary injunction proceeding, and the trademark owner did not seek summary judgment on the likelihood of confusion issue. It was in this unusual procedural context that the court of

appeals held that "KP can only benefit from the fair use defense if there is no likelihood of confusion." Pet. App. 17a. This statement did not address burden of proof, but simply reiterated the Ninth Circuit's rule that the fair use defense is not available if there is a likelihood of confusion. Accordingly, the only issue fairly presented by the court of appeals' decision, and the only issue on which the circuits are divided, concerns the validity of this substantive rule.

ARGUMENT

The court of appeals correctly reversed the district court's grant of summary judgment and remanded the case for further proceedings. Although the court of appeals reached the correct result, its rationale for doing so was incorrect. Contrary to the court of appeals' opinion, the fair use defense does not "require[] that there not be a likelihood of confusion." Pet. App. 19a. In many cases, however – including this one – evidence that is relevant to whether there is a likelihood of confusion is also relevant to whether there is a valid fair use defense. In this case, there are genuine issues concerning facts that are material to *both* the likelihood of confusion issue and the fair use defense. Consequently, the court of appeals was correct to reverse the district court's entry of summary judgment for KP and remand the case to the district court for further proceedings. Because the court of appeals reached the correct result, its decision should be affirmed. *See generally Dandridge v. Williams*, 397 U.S. 471, 475 n.6 (1970) (Court may affirm a lower court's decision on an alternative ground); *Yee v. City of Escondido*, 503 U.S. 519, 534 (1992) ("parties are not limited to the precise arguments they made below").

1. Section 33(b)(4) of the Lanham Act, 15 U.S.C. § 1115(b)(4), allows fair use to be asserted as a defense to infringement of an incontestable mark such as Respondent's MICRO COLORS, provided:

> That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, . . . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party . . . .

In order to establish a fair use defense, therefore, the defendant[3] must prove three elements: (1) that its use of the allegedly infringing term is "otherwise than as a mark"; (2) that the term is "used fairly and in good faith"; and (3) that the term is "descriptive" and used "only to describe the goods or services of the defendant." This provision has been recognized as a "statutory restatement of the corresponding common law defense." 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 11:49 at 11-105 (4th ed. 2003) (citation omitted).

The fair use defense usually is asserted in response to evidence as to the likelihood of confusion adduced by the plaintiff trademark owner at trial, in a preliminary injunction proceeding, or in support of a motion for summary judgment. In order to prove that confusion is likely, the plaintiff typically submits evidence as to most or all of the factors deemed relevant to the likelihood of confusion analysis. In the Ninth Circuit those factors are: (1) the strength of the plaintiff's mark; (2) the similarity of the parties' marks; (3) the proximity or relatedness of the parties' goods; (4) if the parties' goods are not identical, the likelihood of plaintiff's expansion into the defendant's market; (5) evidence of actual confusion;

[3] In this brief, "plaintiff" refers to the trademark holder and "defendant" refers to the alleged infringer asserting the fair use defense.

(6) any overlap in the marketing channels used by the parties; (7) the degree of care customers are likely to exercise in purchasing the goods; and (8) the defendant's intent in selecting its mark. Pet. App 18a-19a.

The evidence adduced by plaintiff (and defendant) as to many of these factors may also be directly relevant to one or more of the three elements that must be proved to establish a fair use defense. For example, if the allegedly infringing term used by the defendant were identical or very similar to the plaintiff's mark, if the defendant's term were used in connection with the same or very similar goods as plaintiff's mark, and if there were significant evidence of actual confusion, that evidence would strongly suggest not only a likelihood of confusion but also that defendant's term was being used "as a mark" rather than only "descriptively." Such evidence might also suggest that defendant was not using the term "fairly" and "in good faith." Similarly, if the plaintiff adduced evidence showing that the defendant's intent in using its allegedly infringing term was to trade on the goodwill of the plaintiff's mark, this evidence would not only support the likelihood of confusion claim; it would also show that the defendant was not acting fairly and in good faith, and thus would invalidate a fair use defense.

Because the evidence submitted by plaintiff to show a likelihood of confusion will often also show that one or more of the three fair use elements can not be established, it will rarely be appropriate to grant defendant summary judgment on a fair use defense when, as here, the trademark owner has not sought summary judgment as to likelihood of confusion and the district court has declined to consider whatever evidence as to the likelihood of confusion may be in the record. Indeed, even when the plaintiff has moved for summary judgment as to the likelihood of confusion (and the court is willing to consider the evidence on this issue), it will often be

inappropriate to grant summary judgment as to the fair use defense in view of the highly factual nature of the elements of the defense. It is well established that, "[b]ecause of the intensely factual nature of trademark disputes, summary judgment is generally disfavored in the trademark arena." *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135, 1140 (9th Cir. 2002) (citation omitted).

Of course, there will be some cases where the defendant's use of a word or a phrase is so clearly descriptive and "otherwise than as a mark" that it would be appropriate to grant summary judgment on the fair use defense. *See, e.g., Leathersmith of London, Ltd. v. Alleyn*, 695 F.2d 27, 30-31 (1st Cir. 1982). This, however, is not such a case. Petitioner's use of the word "microcolor," as shown in Appendix B to the court of appeals' decision, has many of the earmarks of trademark use. The word "microcolor" is used in stylized form, in large print, and as an adjective. It is thus not at all clear on the face of KP's usage that "microcolor" is being used "otherwise than as a mark." If, upon remand, Lasting Impression submits evidence at trial of significant actual confusion or a well designed survey showing a high percentage of confusion among the relevant universe of consumers, such evidence might well be found by the trier of fact to show not only likely confusion but also that KP's use of "microcolor" was not "otherwise than as a mark" or was not fair and in good faith, and that the fair use defense accordingly does not apply.

This is not to say that the fair use defense will never apply if there is a likelihood of confusion. As the Fourth Circuit has stated, "[w]hile it is true that *to the degree* that confusion is likely, a use is less likely to be found fair, it does not follow that a determination of likely confusion precludes considering the fairness of use." *Shakespeare Co.* v. *Silstar Corp. of Am., Inc.*, 110 F.3d

234, 243 (4th Cir. 1997); *see also Restatement (Third) of Unfair Competition* § 28, Comment b. ("[A] defendant who uses a descriptive term fairly and in good faith to describe its goods or services is not liable for infringement even if some residual confusion is likely.") In this case, therefore, the Ninth Circuit was clearly correct in reversing and remanding for a trial in which evidence as to the likelihood of confusion will be presented – not for the reason given by the Ninth Circuit, but because, assuming likely confusion is found, such evidence will be critically relevant to the question whether the fair use defense is applicable.[4]

2. Petitioner also seeks to raise a related but distinct issue, namely, whether a defendant raising the fair use defense to a trademark infringement claim has the burden of proving that there is no likelihood of confusion. *See* Pet. i ("Does the classic fair use defense to trademark infringement require the party asserting the defense to demonstrate an absence of likelihood of confusion, as is the rule in the 9th Circuit . . . ?"). This second issue is not fairly presented by the decision below, nor is it the rule in the Ninth Circuit that the party asserting the fair use defense has the burden of proving an absence of likelihood of confusion. None of the Ninth Circuit decisions cited by

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[4] The argument presented in this brief is quite similar to those in the briefs of the American Intellectual Property Law Association ("AIPLA") and the International Trademark Association ("INTA"). *See* AIPLA Br. 17-19; INTA Br. 13-18. Indeed, the INTA brief concludes: "After examining the record, this Court may decide to remand the case for the factual findings necessary to apply fair use considerations to it." *Id.* at 17-18. This line of argument supports Lasting Impression rather than KP, because it leads to an *affirmance* (albeit on a different ground) of the court of appeals' decision reversing the grant of summary judgment for KP and remanding the case for further proceedings.

Petitioner so holds or so states. To the contrary, the Ninth Circuit, like every other circuit, clearly recognizes that in a trademark infringement action under the Lanham Act, the plaintiff, not the defendant, has the burden of proving a likelihood of confusion. Indeed, the court of appeals' opinion in this case correctly pointed out that, under the Lanham Act, the plaintiff trademark holder "must show that the alleged infringer's use of the mark 'is likely to cause confusion, or to cause mistake, or to deceive.'" Pet. App. 6a.

In a trial of a Lanham Act trademark infringement case, it is thus clear that the plaintiff trademark owner has the burden of proving likelihood of confusion and the defendant has the burden of proving the elements of the fair use defense. Similarly, in the summary judgment context, if the plaintiff trademark owner moves for summary judgment on the merits of its infringement claim, it is clear that the plaintiff has the burden of proving that there is no genuine issue of material fact as to the conclusion that the defendant's use has caused a likelihood of confusion. And if the defendant cross-moves for summary judgment based on the fair use defense, it has the burden of proving only that the undisputed material facts establish all the elements of the fair use defense.

This case is unusual in view of the posture in which it came to the court of appeals. The appeal in this case was not from a decision based on a trial or a preliminary injunction proceeding, nor was it an appeal from a summary judgment decision in which the trademark owner had sought summary judgment on the likelihood of confusion issue. Rather, this case involves an appeal from a summary judgment decision in which the trademark owner did *not* seek summary judgment as to likelihood of confusion, but the alleged infringer *did* seek summary judgment both as to its fair use defense and as to its claim

that the trademark owner "cannot show likelihood of confusion." Pet. App. 5a. It was in this unusual context that the Ninth Circuit held that, in view of its rule that the fair use defense is applicable only if there is no likelihood of confusion, there were issues of material fact as to the relevant likelihood of confusion factors.

The Ninth Circuit's decision thus can be understood as resting on a failure by the alleged infringer to carry its burden of proof only in the narrow and unusual context of this case, in which the trademark owner made no attempt at the summary judgment stage of the litigation to carry its normal burden of proof on the likelihood of confusion issue. The United States' brief thus is misleading when it makes the sweeping statement that "[t]he court held that, in order to avail itself of the fair use defense, petitioner must prove that 'there is no likelihood of confusion . . . .'" U.S. Br. at 10. The Ninth Circuit did not so hold or so state. Rather, what it actually said in the passage quoted by the United States is that "KP can only benefit from the fair use defense if there is no likelihood of confusion. . . ." Pet. App. 17a. That statement did not address burden of proof at all, but was merely a reiteration of the Ninth Circuit rule that the fair use defense is inapplicable if there is a likelihood of confusion. The only issue fairly presented here, and the only issue on which there is a split in the circuits, is whether this Ninth Circuit rule is correct.

CONCLUSION

The judgment of the court of appeals should be affirmed.

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